

Land Value Taxation in New South Wales

By A. G. HUIE

SOME account of the tax system in the Australian State of New South Wales should be of interest to your readers. Taxes in cities, towns and rural areas in New South Wales are imposed upon the value of land. Improvements and personal property are exempt. This is a step in the right direction which should encourage Georgeists—although there are some who claim to be followers of Henry George who deride steps in the right direction and demand all or nothing.

FEDERAL, STATE AND LOCAL TAXATION

When Henry George was in Sydney, the metropolis of New South Wales, opportunity was taken to show him the beauties of the harbor. From a vantage point he was told that there was not an acre of land in sight worth less than \$4000. And George said, "Why not impose your local taxation upon these values?" We followed his advice. We recognized that the line of least resistance was local government taxation. After years of effort we succeeded in getting the principle adopted in all shires or rural areas in 1907; in all municipalities outside the City of Sydney in 1908; partly in Sydney in 1909; and wholly in 1916.

New South Wales has been widely regarded as an example to the world. The Sydney taxing system has been compared to that prevailing in cities in other countries. The works and services undertaken by the local authorities vary greatly in different countries. The better way to look at it is from the standpoint of principle. In N. S. W. we exempt improvements. Any other city to get in line with Sydney must also exempt improvements. We have definitely repudiated the idea of taxing improvements, insisting that the value of the land only shall be the basis for taxation.

Our system of government in Australia is similar to that in the United States. We have our local councils, our States and the Commonwealth. Each has its independent powers of raising revenue by means of taxes. In N. S. W. the local tax system is on Henry George lines. The State itself raises only about \$8,800* from land values in the Western Division. The Commonwealth (or federal government), with the exception of a graduated land tax, which allows a \$20,000 exemption, taxes the people mainly by use of the tariff, sales tax, wages tax, etc.

N. S. W. is the leading state of Australia, with about 40 per cent of the population, production, trade and public revenue of the country. Local councils within the state raise about \$24,000,000 from land values, for local works and services. State and federal taxation on trade, incomes, wages etc. amounts to \$232,000,000. This disparity is likely to increase as demands for revenue for the war pile up.

*Figures in dollars are based upon the approximate rate of four U. S. dollars to one Australian pound.

BENEFICIAL EFFECTS OF LAND VALUE TAXATION

The effect of imposing taxes on land values was apparent from the outset. In fact results begin to appear as soon as the proposal to tax land values becomes law and before it is in actual operation. There were many large areas in the Sydney district held idle by speculators who paid nominal taxes. Taxation of land values put an end to that. Suburbs have been built on land which had been lying waste. Not far from where I live there was a large area of waste land known as "Ramsay's Bush." When land value taxation came in it was subdivided into good sized allotments, with good streets, a good class of suburban residences erected and a shopping center established.

Perhaps the best way to show your readers what is done in N. S. W. is to quote my own district, Ashfield, where I have lived for the past twenty-one years. It is a suburban area about six miles from the center of the City of Sydney. Its area is 2042 acres and the population is 40,750. The Town Clerk has kindly supplied me with particulars of its estimates for the current year. The unimproved value of the land is \$15,244,144. The tax imposed is 4¼ pence in the pound, estimated to yield £67,487 or \$269,948. Revenue from other sources is expected to be \$28,112.

What applies to Ashfield applies to 160 municipalities and 139 shires or rural areas throughout N. S. W.

Sydney is not a mushroom city called into existence because of a great new industry. It is over 150 years old. In the following table are the official returns showing building activity in the Sydney district in the past three years:-

	Dwellings	Business Buildings	Total
1938	\$36,800,000	\$19,368,000	\$56,168,000
1939	32,708,000	16,168,000	48,876,000
1940	33,063,468	13,809,488	46,872,956

It can be seen that building activity was fairly well maintained after the war started in 1939. However, due to increasing war restrictions, building is now declining.

Home building in this country is attended with serious difficulties. Building materials, when imported, are heavily taxed by the tariff up to 100 per cent. That was effective before the war broke out. It is worse now, many imports being prohibited. Such a policy also has the effect of grossly inflating the cost of locally produced materials. It is impossible to build cheap homes with heavily taxed building materials.

However, while we are laboring under such handicaps, we do enjoy the benefits of exempting improvements from taxation. We don't pull down buildings in N. S. W. because of the taxes imposed upon them. I have been informed that this folly is fairly common in the United States and Canada. Sir A. C. Davidson, Manager of the Bank of N. S. W., the

largest bank in Australia, in a letter to me stated: "It may interest you and assist you in the work you are doing to learn that owing to the system of rating in the United States and Canada being generally based on improvements, a number of fine buildings have had to be demolished during the bad times because of the crushing burden of rates and taxes. This is sheer economic waste."

Mr. H. B. Cowan of Canada, in a letter to me, wrote: "In the United States and Canada the tax on improvements is so high it has virtually strangled the building industries. I believe I am safe in saying that hundreds of thousands of buildings have been torn down in order to escape this tax."

OPPOSITION OF VESTED INTERESTS

The virulent hostility of large landowners, land speculators and their agents when it is proposed to tax land values, gives evidence that they are under no illusions as to the effects of taking for the use of the community even a small proportion of the economic rent of land.

In N. S. W., when Mr. Reid in 1895 proposed to tax land values at the modest rate of one penny in the pound with an exemption of £240, our second chamber, composed largely of big landowners, nearly went mad. They rejected the proposals and only gave way after a general election on the issue, which quickly followed, when Mr. Reid's proposals were endorsed by his re-election. There was the great joke of Sir Normand McLaurin's widow owning a few thousand pounds worth of land, and the dire consequences to her of a penny in the pound tax. The men who weep over this "tragedy," however, have no hesitation in taxing the food and clothing and shelter of landless widows up to even 100 per cent.

The recent example of the Californian referendum is another case in point where vested land interests made great efforts to ensure the defeat of a proposal to tax land values instead of labor and industry. Ordinary propaganda and educational work does not ruffle the privileged landowners. They only wake up when it is proposed to do something practical to secure even a portion of the people's land rent for public works and services.

It is always pleasing to us to see efforts being made in any part of the world to put into practice George's proposal to raise public revenue from land values instead of the labor of the people. From time to time land value taxation has been applied to small areas with beneficial effects.

Apart from Queensland, which has a larger area but much lower land values and population, with only 146 local governing areas, there is no place in the world where the number of local areas, values of land and taxes imposed upon them can compare with N. S. W. It is on a land values basis in 299 local governing areas, covering 117,766,680 acres. The unimproved land values in 1939 amounted to \$1,304,144,000, and the revenue from land values in that year was \$24,248,872.

EFFECTS ON BUILDING AND POPULATION

Let me try now to give your readers some idea of the progress in a few of the Sydney suburbs in the thirty-one years since land value rating was adopted, 1908-1939. The development has been beyond the wildest dreams of the people in 1908. Good sized allotments, good streets with a good class of dwellings built by tens of thousands. In the year ending June 30th, 1929 no less than \$70,225,028 was spent on new buildings and additions. In the worst depression year it fell to \$5,667,316. By 1939 it had recovered to \$50,368,208.

It may be understood that in a city which recently celebrated its 150th anniversary there are many old and out-of-date buildings. When buildings were specially taxed and land speculation encouraged with mere nominal charges, the tendency was to crowd together, and to defer making necessary improvements as long as possible. But on the adoption of the land values system a vast improvement in housing began. It promoted the spreading out of the population. Owners of large suburban areas who felt no responsibility for their effective use promptly realized that conditions had changed. They found that they had to meet the new position and enable home seekers to get decent sized allotments on easy terms. Thus our experience is that the inner congested areas, built under the old system of taxing improvements, show a decline of up to 31 per cent in population. In outer areas where there is plenty of room increases of up to 400 and 500 per cent are common. The land values system has had most beneficial effects in assisting the population to spread out. Such results have been attained in spite of the disabilities of heavy taxes on building materials charged by the Commonwealth and excessive train fares charged on the State railways. Inner residential areas are steadily giving place to factories, works and warehouses. It is not economic to replace them with the type of homes built under land value taxation in the outer areas.

We would have made more progress both with respect to taxation and land valuation if my suggestions had been fully accepted by the Government. We needed a little more support. The effects of the war of 1914-18 and following experience were against us. Wars have the effect of setting back the tendencies to social and economic progress. They strengthen the conservative and reactionary elements in society. After the war of 1914-18 there was a great demand for Australia's primary products with high prices. Not content with that, the Government entered upon a wild loan expenditure policy. The effect was to boom up land values. When the prices of primary products fell, production upon high priced land was no longer profitable and the full blast of the depression was upon us.

RECOGNITION BY THE PEOPLE AND BY OFFICIALS

In N. S. W., taxation of land values only, under our system of local government, is the recognized system. A new

generation has grown up which takes it as a matter of course. The average home owner and business man vaguely realizes that the present system is right. One of the provisions of the law required a poll when a loan was proposed for local works. In such cases two questions were submitted. First, for or against the proposed work; second, whether the tax should be on unimproved land values or improved values. The proposed work might sometimes be rejected but the vote was always in favor of the tax being imposed on land values only, for interest and sinking fund.

The greatest service of our land value system is but little understood and entirely overlooked by visitors. It has operated to keep down the value of land, thus enabling persons desiring to use land to get it at lower prices. To the extent that land rent is collected for public purposes, land speculation is checked. It cannot be eliminated altogether so long as there is an untaxed margin available to capitalize. Our state and federal governments are much greater taxing authorities than the local governing bodies. In fact increased taxation by them on labor and industry operates in some measure to neutralize the advantages of a just system of local taxation.

Over fifty years ago there was a wild land boom in the Sydney district. In some places land was boomed up to prices which have never been reached since, although the population has increased from 383,000 to 1,288,000. There has been quite a lot of land speculation from time to time. It will be always so while individuals are allowed to collect even a portion of the ground rent. Taking some of the rent in taxation exercises a restraining influence which is wholly beneficial. The people benefit without realizing it. Land value taxation equalizes the burden of taxation as between users and non-users of land. It benefits the user, it penalizes the non-user.

Some time after the land values system was adopted in N. S. W. a statement was signed by eighty-four mayors and aldermen in the Sydney suburbs. Although a number of years have since passed there is no reason to question the soundness of the representative opinions then expressed, and I will conclude by quoting from it:

"In response to a request for an expression of opinion, we wish to say that the system of rating* on unimproved values which came into force under the provisions of the Local Government Act of 1906, is working remarkably well.

"It has reduced the rates of a very large proportion of the ratepayers, although we are raising a larger revenue.

"It has stimulated the building trade, employment is more constant, and business generally is on a much sounder footing.

"It has induced a number of ratepayers to build or dispose of land which they were not willing or able to use

*The words "rates" and "rating" are synonymous with our use of the words "local taxes" and "local taxation."—Ed.

themselves, and has promoted the subdivision of land hitherto withheld from use for speculative purposes.

"It is fair to all ratepayers, as it simply requires from each his due proportion of the rates.

"It specially benefits those ratepayers whose use of land is most effective and creditable to the municipality, while it has put effective pressure upon a number of owners of idle or partly used land to change their tactics.

"As far as we can judge, the new system has the emphatic support of the bulk of the people. There is no demand for a change.

"It is but fair to admit that rating on unimproved values is working as well as its advocates claimed that it would before it was adopted."

New Zealand at the Crossroads

By T. E. McMILLAN

ADVOCATES of Natural Law Economics may find New Zealand a fertile field for study, inasmuch as our first legislation in this direction was introduced a year before the publication of "Progress and Poverty." We have had lots of "taxation of land values," and of rating on the unimproved values, but we are, individually and nationally, just as much in debt as the people of other countries, and having the same old struggle to make ends meet. We know now that whatever gain there may be, temporarily, in partial measures economically, that gain, like every other, is finally reflected in social values, and the holders of titles to sites collect all the reform is worth in its net expression. Nature, we find, makes no exceptions in the field of economic law any more than she does in respect of the law of gravitation. Therefore the active reforming minds are now set upon demanding that society shall collect the full social rent.

True, no great reform was ever carried peacefully in this world except gradually, and in New Zealand this requirement is being met by applying the gradualness geographically. To be more specific, the policy is for the full rent to be collected by the various local councils, which will pass a proportion on to the State, or central administration, for national services.

Shortly there is to be held, under the auspices of church leaders, a Dominion Reconstruction Conference, whereat our policy will be brought forward for discussion. Mr. Arthur Withy, a veteran of the Cause, will represent the Henry George League of Auckland, and the writer, as editor of *Commonweal of New Zealand*, has responded to an invitation by the Director of the Conference, and sent in a brief. In the latter it is contended that "the profit of the earth" is the site rental value, and should be collected by all for all. People realize that we are at the crossroads; either we must adopt some kind of communist or fascist dictatorship, or accept Nature's Way.